



LEGISLATIVE UPDATE

Committee on the Budget • Majority Caucus
U.S. House of Representatives
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H.R. 1588 – THE FISCAL YEAR 2004 NATIONAL DEFENSE AUTHORIZATION ACT

Summary: H.R. 1588 authorizes appropriations of \$398.1 billion in fiscal year 2004 budget authority for the Department of Defense [DOD], military construction, and Atomic Energy Defense Activities. The measure provides for a broad range of defense activities, including pay and benefits for military personnel; procurement of weapon systems; research and development of the next generation of weapons; and operations and maintenance funding to maintain the readiness of the armed forces, their equipment, and facilities (see the breakdown in the table on the reverse side). The bill authorizes spending for DOD's contribution to the war against terrorism as well as numerous initiatives to transform military capabilities. In addition, H.R. 1588 contains U.S. Maritime Administration authorizations and provisions affecting civilian personnel management. The latter were included after being referred by the Government Reform Committee.

As reported by the Armed Services Committee, H.R. 1588 complies with the Congressional Budget Act, and is consistent with the budget resolution currently in force for fiscal year 2004 (the Conference Agreement to H.Con.Res. 95, passed by the House on 11 April 2003).

Cost of the Legislation: As estimated by the Congressional Budget Office [CBO], H.R. 1588 authorizes budget authority [BA] of \$398.1 billion for the budget resolution's National Defense category, subject to future appropriations. If appropriated at the authorized level, this BA would result in \$394.1 billion in outlays. With the additional effect of prior-year outlays (resulting from BA appropriated in previous years) – such as the emergency supplemental – total National Defense outlays in fiscal year 2004 would come to \$417.8 billion.

H.R. 1588 also would increase direct spending – spending not subject to appropriations – by a net of \$36 million in fiscal year 2004 and \$52 million over 5 years, 2004-08. These amounts are consistent with the budget resolution (see further discussion below).

Please note that certain programs in National Defense are authorized through legislation other than this bill. If those programs are assumed at the President's request, National Defense would be funded at \$400.6 billion, the same level as the President's request.

Bill Compared With the Budget Resolution: H. Con. Res. 95 provided for National Defense BA of \$400.6 billion and outlays of \$400.9 billion (identical to the President's budget request as reestimated by CBO). It also increased the Armed Services Committee's allocation of direct spending by \$70 million in fiscal year 2004 and over 5 years. This is to allow the use of collections from Morale, Welfare, and Recreation activities, such as Post Exchange [PX] sales, without a specific appropriation. As noted, H.R. 1588 increases direct spending by a net of \$36 million in fiscal year 2004 and \$52 million over 5 years. These amounts fall within the Armed Services Committee's allocation for direct spending in the budget resolution.

Compliance With the Budget Act: H.R. 1588 increases BA by \$50 million for Military Housing Privatization Initiative [MHPI]. Under this program, the Government uses direct investment, loans, loan guarantees, and other financial arrangements to encourage private-sector parties to raise capital for building military housing. Since the program's inception in 1996, CBO has treated spending for MHPI as discretionary spending, subject to annual appropriations.

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Now, however, CBO regards the obligations incurred by private contractors in the program as “direct spending,” not subject to appropriations. This new budgetary treatment results in \$420 million in direct spending over the next 5 years. For 2004, the Budget Committee has adopted a transition treatment whereby CBO is directed to treat the BA increase in the traditional manner. In future years, MHPI will be regarded as a program for which an allocation of direct spending must be obtained.

The bill includes several report-related requirements that fall within the jurisdiction of the Budget Committee. These violate section 306 of the Congressional Budget Act, which prohibits the consideration of measures within the jurisdiction of the Budget Committee that have not been reported by the Budget Committee. The Chairman of the Budget Committee does not object to the inclusion of these report-related requirements, and did not seek a referral of the bill.

Summary of H.R. 1588	
(budget authority in billions of dollars)	
Military Personnel	98.9
Operations and Maintenance	130.3
Procurement	76.5
Research and Development	62.7
Military construction & Family Housing	9.8
Atomic Energy Defense Activities	16.7
Funds, Receipts, and other	3.2
Total	398.1

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